

## Message Text

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ACTION MMO-04

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P 060615Z MAY 76

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC PRIORITY 4773

UNCLAS COLOMBO 1638

E.O. 11652: N/-

TAGS: BEXP, AMGT, APER

SUBJ: EMBASSY COLOMBO RECOMMENDS SECOND E/C POSITION

REF: STATE 10192

1. SUMMARY: BASED ON INSPECTORS' RECOMMENDATION IN MID-1974, DEPARTMENT ABOLISHED SECOND ECONOMIC-COMMERCIAL POSITION AT THIS EMBASSY IN MID-1975. DURING PAST EIGHTEEN MONTHS, AMERICAN COMMERCIAL ACTIVITY IN SRI LANKA HAS GROWN SUBSTANTIALLY. WE BELIEVE THERE IS SIGNIFICANT POTENTIAL HERE FOR SALES OF AMERICAN PRODUCTS AND SERVICES. SINGLE E/C OFFICER CANNOT NOW ADEQUATELY ASSIST GROWING NUMBER OF AMERICAN BUSINESS VISITORS AND OTHER SERIOUS INQUIRIES; VISIT GOVERNMENT OFFICIALS AND PRIVATE BUSINESS TO FIND OUT SPECIFIC OPPORTUNITIES FOR AMERICAN EXPORTS AND EXPAND GENERAL CONTACT WITH BUSINESS COMMUNITY. THIS IS ESPECIALLY SO BECAUSE E/C OFFICER MUST MEET INCREASING DEMAND FOR HIGH PRIORITY ECONOMIC WORK CONCERNING SRI LANKA'S CHANGING ECONOMIC SITUATION AND MUST MAINTAIN CONTACTS AND REPORT IN RESPONSE TO DEPARTMENT'S NOW REGULAR INSTRUCTIONS RESULTING FROM AMERICAN FOREIGN ECONOMIC POLICY TOWARD THIRD WORLD. AS WE HAVE SINCE POSITION ELIMINATED, WE STRONGLY RECOMMEND THAT SECOND ECONOMIC-COMMERCIAL OFFICER POSITION BE RESTORED TO EMBASSY COLOMBO AS SOON AS POSSIBLE. END SUMMARY.

2. MAY 1974 INSPECTORS' REPORT RECOMMENDED ELIMINATION OF SECOND E/C POSITION. THIS WAS DONE IN MID-1975. SINCE UNCLASSIFIED

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THEN E/C SECTION CONSISTS OF FSO-4, SHARED FSS SECRETARY,

AND TWO FSL STAFF. SOME ASSISTANCE IS AVAILABLE FROM JUNIOR POLITICAL OFFICER.

3. IN PAST EIGHTEEN MONTHS, COMMERCIAL ACTIVITY IN SRI LANKA HAS INCREASED SUBSTANTIALLY. ALTHOUGH SRI LANKA REMAINS ARCHETYPICAL MOST SERIOUSLY AFFECTED DEVELOPING NATION WITH CRONIC FOREIGN EXCHANGE GAP AND HEAVY DEBT, SITUATION AND OUTLOOK FOR ECONOMY HAS IMPROVED AS RESULT OF MORE POSITIVE, PRAGMATIC NATIONAL ECONOMIC POLICY AND EXPECTATION REASONABLE RETURNS FROM SRI LANKA'S MAIN EXPORTS, TEA AND RUBBER. WE BELIEVE THESE TRENDS INDICATE GREATER GENUINE POTENTIAL FOR SALES OF AMERICAN PRODUCTS AND SERVICES.

4. EXAMPLES OF GREATER AMERICAN COMMERCIAL ACTIVITY INCLUDE: (A) JOINT VENTURE, PRODUCTION SHARING CONTRACTS FOR OFFSHORE OIL EXPLORATION SIGNED WITH TWO AMERICAN FIRMS; (B) SALES OF US \$1.7 MILLION IN COMMUNICATION EQUIPMENT TO GOVERNMENT OF SRI LANKA (GSL); (C) AWARD OF OVER US \$100 MILLION FERTILIZER PLANT CONSTRUCTION CONTRACT TO BRITISH SUBSIDIARY OF KELLOGG INTERNATIONAL CO.; (D) STRONG GSL INTEREST IN CITIBANK OPENING BRANCH IN COLOMBO; (E) SUBSTANTIAL GSL INTEREST IN COMMERCIAL PURCHASE OF AMERICAN GRAIN; (F) NATIONAL AIRLINE'S CONTINUING INTEREST IN LEASE OR PURCHASE OF AMERICAN WIDE BODIED JET. IN EACH OF THESE CASES, E/C OFFICER HAS SPENT MUCH TIME IN ACTIVELY PROMOTING, ASSISTING AMERICAN FIRMS, MAINTAINING CONTACTS AND REPORTING.

5. INCREASING INTEREST OF AMERICAN FIRMS IN SELLING IN SRI LANKA IS REFLECTED BY EVER GROWING NUMBER OF SERIOUS AMERICAN BUSINESS VISITORS, NOW AVERAGING AT LEAST ON DAILY. MOST ARE NEW TO MARKET. E/C OFFICER SHOULD DEVOTE AS MUCH AS TWO HOURS TO EACH IN BRIEFING AND ARRANGING APPOINTMENTS. SERIOUS MAIL INQUIRIES AND WTDR/ADS REQUESTS ARE INCREASING, ESPECIALLY FROM FIRMS REPRESENTED IN SINGAPORE AND HONG KONG. GSL MAJOR PROJECTS ARE ATTRACTING ATTENTION BY AMERICAN SUPPLIERS. CURRENT EXAMPLES ARE IN FISHERIES, SUGAR PRODUCTION, IRRIGATION AND TELECOMMUNICATIONS.

6. IF GSL ECONOMIC POLICY CONTINUES POSITIVE TREND AND ECONOMY PICKS UP AS EXPECTED, EMBASSY OFFICERS SHOULD BE UNCLASSIFIED

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WORKING MARKETPLACE MUCH MORE THAN IS NOW POSSIBLE. GSL POTENTIAL ALONE THROUGH TENDERS AND NEGOTIATED PURCHASES WARRANTS REGULAR CALLS ON OFFICIALS OF LINE ECONOMIC MINISTRIES. GSL IS ENCOURAGING GREATER PRODUCTION FROM INSTALLED CAPACITY AND INCREASED PRIVATE INVESTMENT WHICH CREATES NEED TO EXPAND CONTACT WITH SRI LANKA'S SOPHISTICATED AND EXPERIENCED PRIVATE SECTOR. MANY WOULD LIKE TO DO BUSINESS WITH AMERICAN FIRMS.

7. WITH RESPECT TO PROMOTING SALES OF US PRODUCTS AND SERVICE AND TO INCREASING GENERAL AWARENESS OF AMERICAN INDUSTRY AND COMMERCE, WE SHOULD ALSO EXPAND GENERAL CONTACT WITH APPROPRIATE GSL OFFICIALS AND BUSINESS COMMUNITY THROUGH REPRESENTATION, PUBLICATIONS AND VISUAL AIDS. POST HAS NO ECONOMIC-COMMERCIAL NEWSLETTER BUT THIS WOULD BE MAJOR ASSET. LIKEWISE, REGULAR PROGRAM IN COLLABORATION WITH USE OF MOVIES AND VIDEOTAPE PRESENTATIONS ABOUT AMERICAN PRODUCTS AND COMMERCE WOULD PAY BIG DIVIDENDS. PRESENT STAFF DOES NOT ALLOW TIME TO ARRANGE AND SUPERVISE SUCH ACTIVITIES.

IM8. IN SUM WE BELIEVE AMERICAN EXPORTS CAN BE EXPANDED AND AMERICAN INTERESTS CAN BE SERVED THROUGH POSITIVE EFFORT TO EXPAND THIS EMBASSY'S COMMERCIAL PROGRAM. THIS CAN ONLY BE ACHIEVED THROUGH RESTORATION OF SECOND ECONOMIC-COMMERCIAL OFFICER WHO COULD DEVOTE MOST OF TIME TO STRAIGHT COMMERCIAL WORK. PRESENT PROGRAM IS MINIMAL AND REACTIVE. SECOND POSITION WOULD MAKE IT ACTIVE AND AGGRESSIVE. WE POINT OUT THAT JAPANESE AND FRENCH HAVE FULL-TIME SEPARATE COMMERCIAL STAFFS HERE WHILE GERMANS, BRITISH AND EAST EUROPEANS HAVE NEARLY FULL-TIME COMMERCIAL OFFICERS.

9. FOREGOING PRESENTATION SHOULD NOW BE PUT IN CONTEXT OF RAPIDLY INCREASING PRESSURE ON ECONOMIC-COMMERCIAL SECTION FOR STRAIGHT ECONOMIC WORK. SRI LANKA'S CHANGING ECONOMIC POLICY, SITUATION AND PROSPECTS HAS REQUIRED EXTENSIVE RESEARCH, ANALYSIS AND REPORTING IN RESPONSE TO WASHINGTON REQUESTS. E/C OFFICER IS HEAVILY INVOLVED IN REPORTING ON SRI LANKA'S FOOD AND FINANCIAL SITUATION IN DIRECT SUPPORT OF USAID PROGRAM WHICH IS KEY ELEMENT US POLICY TOWARD THIS COUNTRY. SRI LANKA'S IMPROVED INVESTMENT CLIMATE HAS ATTRACTED ATTENTION FROM AMERICAN INVESTORS WHO CALL ON EMBASSY FOR ASSISTANCE. THERE IS ALMOST WEEKLY INCREASE IN WASHINGTON INSTRUCTIONS AND REQUESTS FOR REPRESENTATIONS ESTABLISHMENT

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OF CONTACTS, RESEARCH, ANALYSIS AND REPORTING ON ECONOMIC POLICY, TRADE AND FINANCIAL ISSUES ARISING FROM AMERICAN THIRD WORLD ECONOMIC POLICY. THIS IS ESPECIALLY IMPORTANT GIVEN SRI LANKA'S ACTIVE ROLE IN MULTILATERAL ECONOMIC NEGOTIATIONS AND FORTHCOMING HOSTING OF NON-ALIGNED SUMMIT CONFERENCE IN AUGUST, 1976. IN TOTAL, THIS GROWING VOLUME OF ECONOMIC WORK MUST OCCUPY MOST OF ECONOMIC-COMMERCIAL SECTION CHIEF'S TIME AND EFFORT. REMAINDER IS NOT SUFFICIENT TO EXPLOIT AMERICAN COMMERCIAL POTENTIAL IN SRI LANKA.

10. CONCLUSION: SINCE SECOND E/C POSITION WAS ELIMINATED, WE HAVE REPEATEDLY RECOMMENDED THAT IT BE RESTORED. WE BELIEVE CASE IS EVEN MORE PERSUASIVE NOW. WE, THEREFORE, URGE DEPARTMENT TO ASSIGN SECOND E/C OFFICER TO EMBASSY COLOMBO AS SOON AS POSSIBLE.

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